

FINANCIAL STATEMENTS

**ELBA TOWNSHIP
LAPEER COUNTY, MICHIGAN**

June 30, 2006

TOWNSHIP BOARD

John Kosiara - Supervisor

Brenda Johnson - Clerk

Mark Connell - Trustee

Michael Stockman - Trustee

Nina M. Suter - Treasurer

Mike Hodges - Trustee

J. Paul Stock - Trustee

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name TOWNSHIP OF ELBA	County LAPEER
Fiscal Year End 6/30/2006	Opinion Date 12/21/2006	Date Audit Report Submitted to State 12/28/2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES ☒ NO ☐

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

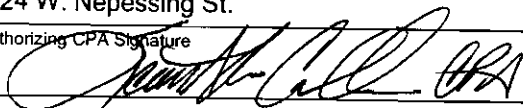
We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>	NO FINDINGS REQUIRING COMMENT		
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) ROBSON & McCALLUM, CPA'S		Telephone Number 810-664-2961		
Street Address 624 W. Nepessing St.		City LAPEER	State MI	Zip 48446
Authorizing CPA Signature 		Printed Name SCOTT A. McCALLUM		License Number 1101015463

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ROBSON AND McCALLUM
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Carole A. Robson, CPA • Scott A. McCallum, CPA • Members AICPA and MACPA

INDEPENDENT AUDITOR'S REPORT

Township Board
Township of Elba
4717 Lippincott Road
Lapeer, Michigan 48446

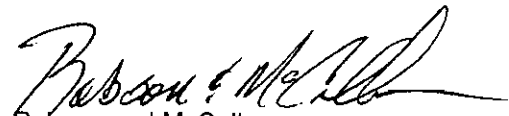
We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Elba Township (the "Township"), Lapeer, Michigan, as of and for the year ended June 30, 2006, which collectively comprise the Township's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Township of Elba at June 30, 2006 and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis and the budgetary comparison information are not a required part of the basic financial statements, but are supplementary information required by the accounting principles generally accepted in the United States of America. We applied limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Elba Township's basic financial statements. The accompanying other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


Robson and McCallum
December 21, 2006

TOWNSHIP OF ELBA
LAPEER COUNTY
LAPEER, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Township of Elba, Lapeer County, Lapeer, Michigan (the "Township"), we offer readers of the Township's financial statements this narrative overview and analysis of the Township's financial activities for the fiscal year ended June 30, 2006. We encourage readers to consider the information presented herein in conjunction with the Township's financial statements.

Financial Highlights

The assets of Elba Township exceeded its liabilities by \$7,526,697, of this amount, \$1,402,707 may be used to meet the Township's ongoing obligations to citizens and creditors.

As of the close of the current fiscal year the Township's governmental funds reported combined ending fund balances of \$1,402,707 a decrease of \$71,087 in comparison with the prior year.

At the end of the current fiscal year, unreserved fund balance for the General Fund was \$984,386, or approximately 161% of normal general fund expenditures.

The Township's total debt decreased \$100,000, during the current fiscal year.

Overview of the Financial Statements

Using this Annual Report

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements comprise three components: (1) government wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. It also contains other supplemental information to provide a greater detail of the data presented in the basic financial statements.

Government-wide Financial Statements provide information about the activities of the Township, presenting a broad long-term overview of the Township's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as useful indicators of whether the financial position of the Township is improving or deteriorating.

The Statement of Activities presents information showing how the Township's net assets changed during the year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (**governmental activities**) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (**business-type activities**). The governmental activities of the Township include general government, public safety, public works, cemetery and building department operations. The business-type activities of the Township include a sewer system.

Reporting the Township's Most Significant Funds - Fund Financial Statements

The Township's fund financial statements provide detailed information about the most significant funds, not the Township as a whole.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Elba Township maintains five (5) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and Fire Fund which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The Township adopts an annual appropriate budget for its general fund and special revenue funds. A budgetary comparison statements has been provided for the general fund and other major funds to demonstrate compliance with this budget.

Proprietary funds. The Township maintains a single proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township uses an enterprise fund to account for its sewer activity.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statement can be found on page 10 of this report.

Notes to the Financial Statements

The notes that follow the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The Township as a Whole

As noted earlier, net assets may serve over time as a useful indicator of the government's financial position.

The Township's Funds

The Township uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the Township is being accountable for the resources taxpayers and others provide to it and may provide more insight into the Township's overall financial health. The analysis of the Township's major funds begins on page 3, following the government-wide financial statements.

The following table shows, in a condensed format, the net assets as of June 30, 2006 and June 30, 2005.

	Governmental Activities	Business Type Activities	Total	06/30/05 Total
<u>Assets</u>				
Current Assets	\$1,410,353	\$1,405,744	\$2,816,097	\$2,974,680
Capital Assets - Net of Depreciation	<u>1,534,236</u>	<u>3,901,694</u>	<u>5,435,930</u>	<u>5,175,691</u>
Total Assets	<u>\$2,944,589</u>	<u>\$5,307,438</u>	<u>\$8,252,027</u>	<u>\$8,150,371</u>
<u>Liabilities</u>				
Current Liabilities	\$ 7,646	\$ 112,684	\$ 120,330	\$ 113,931
Long-Term Liabilities		<u>605,000</u>	<u>605,000</u>	<u>710,000</u>
Total Liabilities	<u>\$ 7,646</u>	<u>\$ 717,684</u>	<u>\$ 725,330</u>	<u>\$ 823,931</u>
<u>Net Assets</u>				
Invested in Capital Assets	\$1,534,236	\$3,191,694	\$4,725,930	\$4,365,691
Restricted		<u>1,398,060</u>	<u>1,398,060</u>	<u>1,486,955</u>
Unrestricted	<u>1,402,707</u>		<u>1,402,707</u>	<u>1,473,794</u>
Net Assets	<u>\$2,936,943</u>	<u>\$4,589,754</u>	<u>\$7,526,697</u>	<u>\$7,326,440</u>

The following table shows the changes of the net assets during the fiscal years ending June 30, 2006 and June 30, 2005.

	Governmental Activities	Business Type Activities	Total	Total 06/30/05
<u>Revenue</u>				
Program Revenues:				
Charges for Services	\$ 22,611	\$ 145,491	\$ 168,102	\$ 139,145
Rent	4,800		4,800	6,550
Other	11,399		11,399	4,548
General Revenue:				
Property Taxes and Collection Fees	700,105		700,105	631,685
Assessments	21,656		21,656	21,320
State-shared Revenue	378,361		378,361	374,787
Interest Earnings	38,315	62,672	100,987	72,122
Capital Grants				38,160
Total Revenue	<u>\$1,177,247</u>	<u>\$ 208,163</u>	<u>\$ 1,385,410</u>	<u>\$1,288,317</u>
<u>Program Expenses</u>				
General Government	\$ 419,671	\$ -0-	\$ 419,671	\$ 464,377
Public Safety	379,058		379,058	244,204
Public Works	86,193		86,193	225,505
Sewer		300,231	300,231	271,982
Total Program Expenses	<u>\$ 884,922</u>	<u>\$ 300,231</u>	<u>1,185,153</u>	<u>\$1,206,068</u>
Change in Net Assets	<u>\$ 292,325</u>	<u>\$ (92,068)</u>	<u>\$ 200,257</u>	<u>\$ 82,249</u>

Capital Asset and Debt Administration

Capital Assets

At June 30, 2006, the Township had \$7,590,653 invested in broad range of capital assets, including land, building and equipment. This amount represents a net increase of \$436,808.

Land and Improvements	\$ 187,512
Buildings and Improvements	653,248
Equipment	646,038
Vehicles	1,163,754
Sewer System	<u>4,940,101</u>
Total Capital Assets	\$ 7,590,653
Less Accumulated Depreciation	<u>(2,154,723)</u>
Net Capital Assets	<u>\$ 5,435,930</u>

Debt Administration

The Township had one major source of debt during the fiscal year ended June 30, 2006: bonds issued for the Lake Nepessing Sewer System. The Township paid \$100,000 towards those obligations.

General Fund Budgetary Highlights

It was not necessary to amend the General Fund as all expenditures were within budgeted amounts.

Economic Factors and Next Year's Budget

Because of the impact of Proposal A and the Headlee Amendment, the Township must continue to watch the budget very closely. The most significant of these events during the fiscal year are the drastic cuts in State Revenue Sharing. These revenues decreased due to the downturn in the economy and State cutbacks during 2005 and 2006.

Contacting the Township's Management

This financial report is intended to provide our residents, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office at 4717 Lippincott Road, Lapeer, MI 48446.

John Kosiara
Township Supervisor

STATEMENT OF NET ASSETS
ELBA TOWNSHIP - LAPEER COUNTY, MICHIGAN
June 30, 2006

	Governmental Activities	Business Type Activities	Total
<u>ASSETS</u>			
Current Assets:			
Cash and Cash Equivalents	\$ 1,030,060	\$ 1,026,589	\$ 2,056,649
Receivables			
Other Governments	122,444		122,444
Accounts		46,772	46,772
Assessments		444,423	444,423
Inventory		56,700	56,700
Internal Balances	217,961	(211,108)	6,853
Bond Discount		10,978	10,978
Deferred Loss		31,390	31,390
Prepaid Items	<u>39,888</u>		<u>39,888</u>
Total Current Assets	<u>\$ 1,410,353</u>	<u>\$ 1,405,744</u>	<u>\$ 2,816,097</u>
Capital Assets:			
Land	\$ 24,500	\$ 163,012	\$ 187,512
Buildings	653,248		653,248
Equipment	489,708	156,330	646,038
Vehicles	1,163,754		1,163,754
Sewer System		4,940,101	4,940,101
Accumulated Depreciation	<u>(796,974)</u>	<u>(1,357,749)</u>	<u>(2,154,723)</u>
Net Capital Assets	<u>1,534,236</u>	<u>3,901,694</u>	<u>5,435,930</u>
Total Assets	<u>\$ 2,944,589</u>	<u>\$ 5,307,438</u>	<u>\$ 8,252,027</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 7,646	\$ -0-	\$ 7,646
Accrued Interest		7,684	7,684
Current Portion of Long-Term Debt		105,000	105,000
Non-Current Liabilities			
Bonds Payable		<u>605,000</u>	<u>605,000</u>
Total Liabilities	<u>\$ 7,646</u>	<u>\$ 717,684</u>	<u>\$ 725,330</u>
<u>NET ASSETS</u>			
Invested in Capital Assets net of Debt	\$ 1,534,236	\$ 3,191,694	\$ 4,725,930
Restricted for Debt Service		710,000	710,000
Restricted for Sewer Operations		688,060	688,060
Unrestricted	<u>1,402,707</u>		<u>1,402,707</u>
Total Net Assets	<u>\$ 2,936,943</u>	<u>\$ 4,589,754</u>	<u>\$ 7,526,697</u>

See Auditor's Report and Notes to the Financial Statements.

STATEMENT OF ACTIVITIES
ELBA TOWNSHIP - LAPEER COUNTY, MICHIGAN
For the Year Ended February 28, 2006

Functions/Program	Expenses	Charges For Services	Net (Expense) Revenue & Changes in Net Assets		
			Governmental Activities	Business Activities	Total
Primary Government:					
Governmental Activities:					
General Government	\$ 365,891	\$ 38,810	\$ (327,081)	\$ -0-	\$ (327,081)
Public Safety	379,058		(379,058)		(379,058)
Public Works	86,193		(86,193)		(86,193)
Insurance	32,319		(32,319)		(32,319)
Other Activities	<u>21,461</u>		<u>(21,461)</u>		<u>(21,461)</u>
Total Government Activities	<u>\$ 884,922</u>	<u>\$ 38,810</u>	<u>\$ (846,112)</u>	<u>\$ -0-</u>	<u>\$ (846,112)</u>
Business Type Activities	\$ 249,553	\$ 145,491	\$ -0-	\$ (104,062)	\$ (104,062)
Interest on Long Term Debt	<u>50,678</u>			<u>(50,678)</u>	<u>(50,678)</u>
Total Business Type Activities	<u>\$ 300,231</u>	<u>\$ 145,491</u>	<u>\$ -0-</u>	<u>\$ (154,740)</u>	<u>\$ (154,740)</u>
Total Primary Government	<u>\$1,185,153</u>	<u>\$ 184,301</u>	<u>\$ (846,112)</u>	<u>\$ (154,740)</u>	<u>\$ (1,000,852)</u>
General Revenues:					
Property Taxes			\$ 700,105	\$ -0-	\$ 700,105
Assessments			21,656		21,656
State Shared Revenues			378,361		378,361
Interest Earnings			<u>38,315</u>	<u>62,672</u>	<u>100,987</u>
Total General Revenue			<u>\$1,138,437</u>	<u>\$ 62,672</u>	<u>\$ 1,201,109</u>
Change in Net Assets			\$ 292,325	\$ (92,068)	\$ 200,257
Net Assets - July 1, 2005			<u>2,644,618</u>	<u>4,681,822</u>	<u>7,326,440</u>
Net Assets - June 30, 2006			<u>\$2,936,943</u>	<u>\$4,589,754</u>	<u>\$ 7,526,697</u>

See Auditor's Report and Notes to the Financial Statements.

BALANCE SHEET - GOVERNMENTAL FUNDS
ELBA TOWNSHIP - LAPEER COUNTY, MICHIGAN
June 30, 2006

	GENERAL FUND	FIRE FUND	OTHER GOVERNMENTAL FUNDS	TOTAL
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 638,260	\$ 282,181	\$ 109,619	\$1,030,060
Prepaid Expenses	21,673	18,215		39,888
State Shared Revenue Receivable	122,444			122,444
Due From Other Funds	217,961	8,306		226,267
Total Assets	<u>\$1,000,338</u>	<u>\$ 308,702</u>	<u>\$ 109,619</u>	<u>\$1,418,659</u>
<u>LIABILITIES</u>				
Accounts Payable	\$ 7,646	\$ -0-	\$ -0-	\$ 7,646
Due to Other Funds	8,306			8,306
Total Liabilities	<u>\$ 15,952</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 15,952</u>
<u>FUND EQUITY</u>				
Fund Balance				
Unreserved	\$ 984,386	\$ 308,702	\$ 109,619	\$1,402,707
<u>TOTAL LIABILITIES AND FUND EQUITY</u>	<u>\$1,000,338</u>	<u>\$ 308,702</u>	<u>\$ 109,619</u>	<u>\$1,418,659</u>

RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS BALANCES TO NET
ASSETS OF GOVERNMENTAL ACTIVITIES
ELBA TOWNSHIP - LAPEER COUNTY, MICHIGAN
For the Year Ended June 30, 2006

Total Governmental Fund Balances	\$ 1,402,707
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Amounts reported for Governmental Activities
in the Statement of Net Assets are different
because:

Capital Assets used in Governmental Activities
are not financial resources and, therefore, are
not reported in the funds.

1,534,236

Change in Net Assets of Governmental Activities

\$ 2,936,943

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ELBA TOWNSHIP - LAPEER COUNTY, MICHIGAN
For the Year Ended June 30, 2006

	GENERAL FUND	FIRE FUND	OTHER GOVERNMENTAL FUNDS	TOTAL
REVENUES				
Taxes	\$ 388,441	\$ 311,664	\$ -0-	\$ 700,105
Assessments			21,656	21,656
State Shared Revenue	375,032		3,329	378,361
Charges for Services	22,611			22,611
Interest Earnings	21,992	12,681	3,642	38,315
Rentals	4,800			4,800
Other Local Revenues	11,298	101		11,399
Total Revenues	<u>\$ 824,174</u>	<u>\$ 324,446</u>	<u>\$ 28,627</u>	<u>\$ 1,177,247</u>
EXPENDITURES				
Current:				
General Government:				
Township Board	\$ 13,319	\$ -0-	\$ -0-	\$ 13,319
Supervisor	30,449			30,449
Elections	6,311			6,311
Assessor	37,867			37,867
Clerk	62,798			62,798
Cemetery	12,413			12,413
Board of Review	4,863			4,863
Treasurer	65,285			65,285
Legal, Audit and Engineering	36,933			36,933
Township Hall	80,437			80,437
Other General Government	162			162
Total General Government	350,837	-0-	-0-	350,837
Public Safety	130,002	177,385	3,329	310,716
Public Works	64,785		21,408	86,193
Insurance	32,319			32,319
Other Activities	21,461			21,461
Capital Outlay	13,015	433,793		446,808
Total Expenditures	<u>\$ 612,419</u>	<u>\$ 611,178</u>	<u>\$ 24,737</u>	<u>\$ 1,248,334</u>
Excess Revenues Over (Under) Expenditures	<u>\$ 211,755</u>	<u>\$ (286,732)</u>	<u>\$ 3,890</u>	<u>\$ (71,087)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	\$ 13,015	\$ -0-	\$ 15,000	\$ 28,015
Transfers Out	(15,000)		(13,015)	(28,015)
Total Other Financing Sources	<u>\$ (1,985)</u>	<u>\$ -0-</u>	<u>\$ 1,985</u>	<u>\$ -0-</u>
Net Change in Fund Balance	<u>\$ 209,770</u>	<u>\$ (286,732)</u>	<u>\$ 5,875</u>	<u>\$ (71,087)</u>
FUND BALANCE - July 1, 2005	<u>774,616</u>	<u>595,434</u>	<u>103,744</u>	<u>1,473,794</u>
FUND BALANCE - June 30, 2006	<u>\$ 984,386</u>	<u>\$ 308,702</u>	<u>\$ 109,619</u>	<u>\$ 1,402,707</u>

See Auditor's Report and Notes to the Financial Statements.

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES**
ELBA TOWNSHIP- LAPEER COUNTY, MICHIGAN
For the Year Ended June 30, 2006

Net change in fund balance - Total Governmental and Equipment Funds	\$ (71,087)
Amounts reported for Governmental Activities in the Statement of Net Assets are different because:	
Governmental Funds report capital outlays as expenditures. In the Statement of Activities, these costs are capitalized and allocated over their useful lives.	446,808
Depreciation is an expenditure for the Statement Of Activities, but it is not reported in the Governmental Funds.	<u>(83,396)</u>
Change in Net Assets of Governmental Activities	<u><u>\$ (292,325)</u></u>

STATEMENT OF NET ASSETS - ENTERPRISE FUND
ELBA TOWNSHIP - LAPEER COUNTY, MICHIGAN
For the Year Ended June 30, 2006

SEWER FUND

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 1,026,589
Accounts Receivable	46,772
Assessments Receivable	444,423
Inventory	56,700
Bond Discount	10,978
Deferred Loss	31,390
Internal Balances	<u>(211,108)</u>

Total Current Assets

\$ 1,405,744

Capital Assets

Land	\$ 163,012
Equipment	156,330
Sewer System	4,940,101
Accumulated Depreciation	<u>(1,357,749)</u>

Net Capital Assets

\$ 3,901,694

Total Assets

\$ 5,307,438

LIABILITIES

Current Liabilities

Accrued Interest	\$ 7,684
Current Portion of Long-Term Debt	<u>105,000</u>

Total Current Liabilities

\$ 112,684

Long-Term Debt - Net Current Portion

605,000

Total Liabilities

\$ 717,684

NET ASSETS

Invested in Capital Assets - Net of Related Debt

\$ 3,191,694

Restricted for Sewer Operations

688,060

Restricted for Debt Services

710,000

Net Assets

\$ 4,589,754

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND NET ASSETS - ENTERPRISE FUND
ELBA TOWNSHIP - LAPEER COUNTY, MICHIGAN
For the Year Ended June 30, 2006

<u>OPERATING REVENUES</u>	<u>SEWER FUND</u>
Use Charges	\$ 126,241
Connection Fees	<u>19,250</u>
Total Operating Revenues	<u>\$ 145,491</u>
<u>OPERATING EXPENSES</u>	
Management Fees	\$ 104,869
Utilities and Telephone	1,895
Operating Supplies	740
Repairs and Maintenance	28,731
Administration and Miscellaneous	10,145
Depreciation and Amortization	<u>103,173</u>
Total Operating Expenses	<u>\$ 249,553</u>
Operating Income (Loss)	<u>\$ (104,062)</u>
<u>NON-OPERATING REVENUES AND (EXPENSES)</u>	
Interest Income	\$ 62,672
Interest Expense	<u>(50,678)</u>
Total Non-operating Revenues	<u>\$ 11,994</u>
Net Loss/Change in Net Assets	<u>\$ (92,068)</u>
<u>NET ASSETS - July 1, 2005</u>	<u>4,681,822</u>
<u>NET ASSETS - June 30, 2006</u>	<u>\$ 4,589,754</u>

STATEMENT OF CASH FLOWS - ENTERPRISE FUND
ELBA TOWNSHIP - LAPEER COUNTY, MICHIGAN
For the Year Ended June 30, 2006

<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	<u>SEWER FUND</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Cash Received from Customers	\$ 146,810
Payments to Suppliers and Vendors	<u>(127,880)</u>
NET CASH FLOWS FROM OPERATIONS	\$ <u>18,930</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>	
Payments on Long-Term Debt	\$ (100,000)
Interest Paid	(38,715)
Special Assessments Collected	<u>72,454</u>
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	\$ <u>(66,261)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	
Interest Income	\$ <u>62,672</u>
NET CASH FLOWS FROM INVESTING ACTIVITIES	<u>62,672</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 15,341
<u>CASH AND CASH EQUIVALENTS - July 1, 2005</u>	<u>1,011,248</u>
<u>CASH AND CASH EQUIVALENTS - June 30, 2006</u>	<u><u>\$ 1,026,589</u></u>
 <u>RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</u>	
Net Operating Loss	\$ (104,062)
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities:	
Depreciation and Amortization	103,173
Decrease in Accounts Receivable	1,319
Decrease in Inventory	<u>18,500</u>
NET CASH FROM OPERATING ACTIVITIES	\$ <u>18,930</u>

STATEMENT OF FIDUCIARY NET ASSETS
ELBA TOWNSHIP - LAPEER COUNTY, MICHIGAN
For the Year Ended June 30, 2006

	<u>TRUST AND AGENCY</u>	<u>CURRENT TAX COLLECTION</u>	<u>TOTAL</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ <u>42,598</u>	\$ <u>4,255</u>	\$ <u>46,853</u>
Total Assets	\$ <u>42,598</u>	\$ <u>4,255</u>	\$ <u>46,853</u>
<u>LIABILITIES</u>			
Due to Other Funds	\$ 2,598	\$ 4,255	\$ 6,853
Deposits	<u>40,000</u>	<u> </u>	<u>40,000</u>
Total Liabilities	\$ <u>42,598</u>	\$ <u>4,255</u>	\$ <u>46,853</u>
Net Assets	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>

NOTES TO THE FINANCIAL STATEMENTS
ELBA TOWNSHIP - LAPEER COUNTY, MICHIGAN
June 30, 2006

The Township of Elba is a general law Township operating under Article 7, Section 17 of the Michigan Constitution of 1963 and under the revised statutes of 1846, as amended. Elba Township was organized in 1838 and is governed by a Board consisting of the Supervisor, Clerk, Treasurer and four Trustees. The Township provides its residents with public safety (police, fire and inspections), highways and streets, public improvements, planning and zoning and general administrative services.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting and reporting policies of Elba Township (the "Township"), conform to accounting principles generally accepted in the United States of America applicable to state and local governments. The more significant accounting policies of the Township are described below.

IMPLEMENTATION OF NEW ACCOUNTING PRINCIPLES

In the fiscal year 2004, the Township adopted two new statements of financial accounting standards issued by the Governmental Accounting Standards Board (GASB):

Statement No. 34 - Basic Financial Statements - and Management's Discussion and analysis - for State and Local Governments.

Statement No. 37 - Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus.

Statement No. 34 - (as amended by Statement No. 37) represents a very significant change in the financial reporting model used by state and local governments.

Statement No. 34 requires government-wide financial statements to be prepared using the accrual basis of accounting and the economic resources measurement focus. Government-wide financial statements do not provide information by fund or account group, but distinguish between the Township's governmental activities, business-type activities, and activities of its discretely presented component units on the statement of net assets and statement of activities. Significantly, the Township's statement of net assets includes both non-current assets and non-current liabilities of the Township, which were previously recorded in the General Fixed Assets Account Group and the General Long-Term Debt Account Group.

Statement No. 34 also requires certain required supplementary information in the form of Management's Discussion and Analysis, which includes an analytical overview of the Township's financial activities. In addition, a budgetary comparison statement is presented that compares the adopted and modified General Fund budget with actual results.

Statement No. 37 amends GASB Statements No. 21 and No. 34. The amendments to Statement 21 are necessary, because of the changes to the fiduciary fund structure required by Statement 34. Generally, escheat property that was reported in an expendable trust fund in the previous model should be reported in a private purpose trust fund under Statement 34. Additionally, the amendments either, (1) clarify certain provisions that, in retrospect, may not be sufficiently clear for consistent applications, or (2) modify other provisions that the GASB Board believes may have unintended consequences in some circumstances. This statement became effective for the Township in fiscal year 2004.

The above statements did not affect the Fund Balance of the Township.

SCOPE OF REPORTING ENTITY:

In accordance with the provisions of the Governmental Accounting Standards Board Statement #14, "Defining the Governmental Report Entity", the financial statements of the Township of Elba contain all the Township's executive or legislative branches. Control by or dependence on the Township was determined on the basis of appointment of governing authority, budget adoption, taxing authority, outstanding debt secured by revenues or general obligations of the Township, obligations of the Township to finance any deficits that may occur, receipt of significant subsidies from the Township, disposition of surplus funds, and the scope of public service.

NOTES TO THE FINANCIAL STATEMENTS
ELBA TOWNSHIP - LAPEER COUNTY, MICHIGAN
June 30, 2006

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

JOINT OPERATIONS

Lapeer County Emergency Medical Service - The Township is a member of the Authority, a joint venture that operates under the Urban Corporation Act of 1967. Various local units of government within Lapeer County have elected to provide ambulance services to residents within their area by joining the Authority. Each local unit appoints one individual to serve on the Board of Directors. The Authority has locations in Lapeer, North Branch and Imlay City. During the year ended June 30, 2006, the Township contributed approximately \$16,386 toward the Authority's operations. The Township's interest in net assets of the Authority is not significant. Separate financial statements are available at the Authority's office.

Greater Lapeer Transportation Authority - The Township is a member of the Authority, Incorporated under Act 196 of 1986. Various local units of government within Lapeer County have elected to provide transportation services to residents within their area by joining the authority. Each local government appoints one individual to serve on the Board of Directors. The Township's contribution to the Authority for the year ended June 30, 2006 was \$4,496. The Township's interest in the net assets of the Authority is not significant. Separate financial statements are available at the Authority's office.

Greenwood Cemetery - Elba Township has entered into a cost sharing arrangement with Hadley Township for the maintenance of Greenwood Cemetery, located in Hadley Township. Elba Township paid \$9,000 towards maintenance for the fiscal year ended June 30, 2006. Separate financial statements are available at Hadley Township offices.

BASIS OF PRESENTATION

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements (the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the Township. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include: (1) charges to customers or applicants whose purchase, use or directly benefit from goods, services, or privileges provided by a given program; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

FUND FINANCIAL STATEMENTS:

The Township segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. The accounts of the government are organized on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds.

NOTES TO THE FINANCIAL STATEMENTS
ELBA TOWNSHIP - LAPEER COUNTY, MICHIGAN
June 30, 2006

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

The financial activities of the Township are recorded in separate funds, categorized as follows:

GOVERNMENTAL FUNDS:

General Fund - The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments for major capital projects) that are legally restricted to expenditures for specified purposes.

Capital Projects Funds - Capital Project Funds are used to account for financial resources to be used for the acquisition/construction of facilities/equipment (other than those financed by proprietary or trust funds). The designated fund balance in the capital project funds represents subsequent years' expenditures specifically identified for capital outlays.

Fiduciary Funds - Fiduciary Funds include expendable trust and nonexpendable trust and agency funds. The measurement focus of the expendable trust fund is the same as for governmental funds. The measurement focus of the nonexpendable trust is based upon determination of net income, financial position and changes in financial position. The generally accepted accounting principles applicable to nonexpendable trust and agency funds are those similar to businesses in the private sector.

Agency funds are purely custodial (assets equal liabilities) and thus, do not involve measurement of results of operations and are used to account for assets held by the Township as an agent for individuals, private organizations, other governments and/or other funds.

PROPRIETARY FUNDS:

Enterprise Funds - Enterprise Funds are used to account for operations (A) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (B) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Township has one Enterprise Fund which is the Sewer Fund.

CASH EQUIVALENTS:

For purposes of the statement of cash flows, demand deposits and short-term investments with a maturity date of three months or less when acquired, are considered to be cash equivalents.

MEASUREMENT FOCUS:

Measurement Focus refers to what is being measured, basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period, generally collected within 60 days of the end of the current fiscal period.

NOTES TO THE FINANCIAL STATEMENTS
ELBA TOWNSHIP - LAPEER COUNTY, MICHIGAN
June 30, 2006

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

The revenues susceptible to accrual are property taxes, franchise fees, licenses, charges for services, interest income, and intergovernmental revenues. Sales taxes collected and held by the State at year-end on behalf of the Township are also recognized as revenue. All other Governmental Fund Type revenues are recognized when received.

Enterprise funds distinguish operating revenue and expense from non-operating items. Operating revenue and expenses generally result from providing services in connection with an enterprise fund's principal ongoing operations. The principal operating revenue of our Enterprise Fund relates to charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

CASH AND INVESTMENTS:

Deposits are carried at cost. Deposits are in four financial institutions in the name of the Elba Township Treasurer. Act 217, PA 1982, authorizes the local unit to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations. Investments can also be made in bonds, securities and other obligations of the United States, or an agency or instrumentality of the United States, which are guaranteed as to principal and interest by the United States, including securities issued by the Government National Mortgage Association; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the three highest classifications by not less than two standard rating services which mature not more than 270 days after the date of purchase and which involve no more than 50 percent of any one fund. Michigan law prohibits security in the form of collateral, surety bonds, or other forms for the deposit of public money.

PROPERTY TAXES:

Property taxes are levied each December 1st on the State equalized value of property located in the Township as of the preceding December 31st. Taxable values are based on assessed values which are established annually and equalized by the State at an estimated 50 percent of current market value. The 2005 taxable value of the Township totaled \$194,580,292. Millage rates assessed were 1.4201 for general operating and 1.4805 for fire protection.

On December 8, 1986, the Township entered into an agreement (pursuant to P.A. 425 of 1984) with the City of Lapeer for the transfer of certain parcels of land from the Township to the City. In consideration for the land, the Township will receive an annual payment from the City equal to revenues the Township would have received had the parcels remained in the Township. The annexed property revenues include, but are not limited to, current tax millage, Federal shared revenues and State shared revenues. The Township also received the right to tap into the City sanitary sewer line for the purpose of serving all or part of the Lake Nepessing sewer district as currently engineered. Payments began September 1, 1987 and will continue for a period of fifty years.

The Township bills and collects its own property taxes and also taxes for the county and school districts within its boundaries. Collections and remittances of the county and school taxes are accounted for in the Current Tax Collection Fund. Township property tax revenues are recognized as revenues in the fiscal year levied.

Property taxes levied on December 1st are payable without penalty through February 14th. As of March 1st, unpaid taxes attach as an enforceable lien on the property. Delinquent taxes, special assessments, and sewer user fees, are purchased by the County of Lapeer.

ACCOUNTS RECEIVABLE:

No allowance for uncollected accounts has been set up for the sewer fees receivable or assessments. The assessments are an enforceable lien on the property. Similarly, delinquent sewer fees are placed on the tax roll. Accounts receivable in the General Fund are state shared revenues receivable.

INVENTORY:

Inventory in the Sewer Fund consists of expendable supplies held for consumption. The amount of inventory shown on the balance sheet is an allowance for inventory of expendable supplies that were on hand at the balance sheet date. The Township uses the consumption method for accounting for inventory.

NOTES TO THE FINANCIAL STATEMENTS
ELBA TOWNSHIP - LAPEER COUNTY, MICHIGAN
June 30, 2006

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

CAPITAL ASSETS:

Capital assets which include property, plant and equipment, are reported in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated Assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has not been capitalized during the construction period on property, plant, and equipment.

Assets capitalized have an original cost of \$500 or more for equipment and \$5,000 or more for non equipment, and over three years of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

<u>Governmental</u>	
Buildings and Improvements	5 - 50 Years
Equipment	5 - 20 Years
Vehicles	5 - 20 Years
<u>Enterprise</u>	
Equipment	7 - 10 Years
Municipal Sewer System	50 Years

NET ASSETS:

Net Assets represent the difference between assets and liabilities. Net Assets invested in capital assets consist of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Township or through external restrictions imposed by creditors, grantors, or laws or regulations of governments.

USE OF ESTIMATES:

The preparation of basic financial statements in conformance with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results may differ from those estimates.

BUDGETARY AND LEGAL COMPLIANCE:

BUDGETARY DATA:

The following procedures were completed in establishing the budgetary data reflected in the financial statements:

The modified accrual based budget was legally enacted on a departmental (activity) basis through the passage of a resolution.

The budget was used by the Township Board as a management tool during the year for all budgetary funds. Any revisions that altered the total expenditures of any department were approved by the Township Board.

Budget appropriations lapse at year end, except for approved contracts and certain federal grants which are appropriated on a contract (grant) or entitlement length basis.

The original budget was amended during the year in compliance with applicable State laws. The budget to actual expenditures in the financial statements represent the final budget as amended by the Township Board.

EXCESS EXPENDITURES OVER BUDGETARY AMOUNTS:

P.A. 621 of 1978, Section 18 (1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the Township for these budgetary funds were adopted by activity within a fund. During the budget year, the Township did not incur expenditures beyond budgeted amounts in the funds for which budgets were adopted.

NOTES TO THE FINANCIAL STATEMENTS
ELBA TOWNSHIP - LAPEER COUNTY, MICHIGAN
June 30, 2006

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS:

CASH AND INVESTMENTS:

The Township's deposits are in accordance with statutory authority. At June 30, 2006, the balance sheet carrying amount of cash deposits was \$378,235. The bank balance as of June 30, 2006 was \$460,583 of which \$242,301 was covered by FDIC insurance. Cash deposits are classified in risk category number three and are uncollateralized.

For the year ended June 30, 2006 the Township invested in the Government Cash Investment Fund with Comerica Bank and the Public Funds Investment Trust with Lasalle Bank, both of whose underlying investments were U.S. Government Securities. The balances were \$1,463,996 and \$214,418; respectively. These investments are considered cash equivalents and are included with cash deposits of \$378,235 (listed above) for the total cash and cash equivalent of \$2,056,649 as listed on the Statement of Net Assets.

INVENTORY - SEWER FUND:

Inventory listed in the Sewer Fund consists of replacement pumps and tanks carried at historical cost.

CAPITAL ASSETS:

A SUMMARY OF CHANGES IN CAPITAL ASSETS FOR GOVERNMENTAL ACTIVITIES FOLLOWS:

	<u>BALANCE</u> <u>7/01/05</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE</u> <u>6/30/06</u>
Capital Assets Not Being Depreciated				
Land	\$ 24,500	\$ -0-	\$ -0-	\$ 24,500
Capital Assets Being Depreciated				
Building and Improvements	\$ 640,233	\$ 13,015	\$ -0-	\$ 653,248
Equipment	489,708			489,708
Vehicles	739,961	433,793	10,000	1,163,754
Total Capital Assets Being Depreciated	<u>\$1,869,902</u>	<u>\$ 446,808</u>	<u>\$ 10,000</u>	<u>\$2,306,710</u>
Less Accumulated Depreciation for				
Building and Improvements	\$ 181,671	\$ 13,324	\$ -0-	\$ 194,995
Equipment	220,756	37,161		257,917
Vehicles	321,151	32,911	10,000	344,062
Total Accumulated Depreciation	<u>\$ 723,578</u>	<u>\$ 83,396</u>	<u>\$ 10,000</u>	<u>\$ 796,974</u>
Total Capital Assets Being Depreciated, Net	<u>1,146,324</u>	<u>363,412</u>	<u>-0-</u>	<u>1,509,736</u>
Total Governmental Activity Assets, Net	<u>\$1,170,824</u>	<u>\$ 363,412</u>	<u>\$ -0-</u>	<u>\$1,534,236</u>

NOTES TO THE FINANCIAL STATEMENTS
ELBA TOWNSHIP - LAPEER COUNTY, MICHIGAN
June 30, 2006

DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS: (Continued)

A SUMMARY OF CHANGES IN CAPITAL ASSETS FOR BUSINESS-TYPE ACTIVITIES FOLLOWS:

	BALANCE 7/01/05	ADDITIONS	DEDUCTIONS	BALANCE 6/30/06
Capital Assets Not Being Depreciated				
Land	\$ 163,012	\$ -0-	\$ -0-	\$ 163,012
Capital Assets Being Depreciated				
Sewer System	\$4,940,101	\$ -0-	\$ -0-	\$4,940,101
Equipment	156,330			156,330
Total Capital Assets Being Depreciated	<u>\$5,096,431</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$5,096,431</u>
Less Accumulated Depreciation for				
Sewer System	\$1,203,352	\$ 96,920	\$ -0-	\$1,300,272
Equipment	51,224	6,253		57,477
Total Accumulated Depreciation	<u>\$1,254,576</u>	<u>\$ 103,173</u>	<u>\$ -0-</u>	<u>\$1,357,749</u>
Total Capital Assets Being Depreciated, Net	<u>3,841,855</u>	<u>103,173</u>	<u>-0-</u>	<u>3,738,682</u>
Total Business Type Activity Assets, Net	<u>\$4,004,867</u>	<u>\$ 103,173</u>	<u>\$ -0-</u>	<u>\$3,901,694</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:

General Government - Township Hall	\$ 15,054
Public Safety - Fire Fund	<u>68,342</u>

Total Depreciation Expense - Governmental Activities	<u>\$ 83,396</u>
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Business-Type Activities:

Sewer	<u>\$ 103,173</u>
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LONG-TERM DEBT:

On April 11, 1996, Lapeer County issued \$875,000 in Limited Tax General Obligation Wastewater System Refunding Bonds (Township of Elba). The Elba Refunding Bonds were issued in anticipation of, and are payable primarily from, certain contractual payments to be paid by the Township to the Lapeer County Treasurer acting for and on behalf of the County, pursuant to a contract between the County and the Township.

The Wastewater System Refunding Bonds - (Township of Elba) were issued pursuant to the authorization contained in Act 185 of the Public Acts of Michigan 1957, as amended, and Act 202 of the Public Acts of Michigan, 1943. As a result of the advance refunding, the Township will pay \$250,877 less in interest payments over the life of the bonds.

The Wastewater System Refunding Bonds carry an interest rate between 3.75% and 5.55% depending on maturity dates, with annual principal maturities between \$5,000 and \$105,000. The bonds are fully matured on October 1, 2009.

On January 2, 2002, the Township Board adopted a resolution establishing a special assessment district for the expansion of the Lake Nepessing Sewer System. On January 14, 2002, the Board adopted a resolution to issue special assessment bonds and amended the resolution on February 12, 2002. On March 13, 2002, \$410,000 in bonds were sold carrying interest rates between 2.5% and 5.25% with annual principle maturities of \$20,000. The bonds have a call date of May 1, 2011.

NOTES TO THE FINANCIAL STATEMENTS
ELBA TOWNSHIP - LAPEER COUNTY, MICHIGAN
June 30, 2006

DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS: (Continued)

The principal and interest requirements for the next five years are as follows:

	<u>Interest Ranges</u>	<u>Maturity Ranges</u>	<u>Beginning Balance</u>	<u>Additions (Reductions)</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business Type Activities						
1996 Wastewater System Refunding Bonds	3.75%					
Amount of Issue - \$875,000	to	\$5,000 -				
Maturing Through 2009	5.550%	105,000	\$ 460,000	\$ (80,000)	\$ 380,000	\$ 85,000
2002 Sewer Expansion Bonds	2.5%					
Amount of Issue - \$410,000	to	\$20,000 -				
Maturing Through 2022	5.250%	25,000	<u>350,000</u>	<u>(20,000)</u>	<u>330,000</u>	<u>20,000</u>
Total Business Type Activities			<u>\$ 810,000</u>	<u>\$(100,000)</u>	<u>\$ 710,000</u>	<u>\$105,000</u>
Total			<u>\$ 810,000</u>	<u>\$(100,000)</u>	<u>\$ 710,000</u>	<u>\$105,000</u>

Annual debt service requirements to maturity for the above governmental bond and contract obligations are as follows:

<u>Years Ending June 30</u>	<u>Business Type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 105,000	\$ 33,798	\$ 138,798
2008	115,000	28,356	143,356
2009	115,000	22,498	137,498
2010	125,000	16,189	141,189
2011	20,000	12,415	32,415
2012-2016	100,000	48,225	148,225
2017-2022	<u>130,000</u>	<u>22,905</u>	<u>152,905</u>
Total	<u>\$ 710,000</u>	<u>\$ 184,386</u>	<u>\$ 894,386</u>

INDIVIDUAL FUND INTERFUND RECEIVABLE/PAYABLE:

<u>RECEIVABLE FUND</u>	<u>AMOUNT</u>	<u>PAYABLE FUND</u>	<u>AMOUNT</u>
General	\$ 217,961	Current Tax	\$ 4,255
		Trust and Agency	2,598
Fire	<u>8,306</u>	Sewer	211,108
		General	<u>8,306</u>
Total	<u>\$ 226,267</u>		<u>\$ 226,267</u>

DEFERRED COMPENSATION:

Elba Township offers all its firemen a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The assets of the plans were held in a custodial account as described in IRC Section 457(g) for the exclusive benefit of the participants and their beneficiaries. The custodian thereof for the exclusive benefit of the participants holds the custodial account for the beneficiaries of this Section 457 plan, and the assets may not be diverted to any other use. The administrators are agents of Elba Township for the purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account and all other matters. In accordance with the provisions of GASB Statement No. 32, plan balances and activities are not reflected in Elba Township's financial statements. Employer contributions for the year were 7.5% of covered payroll for a total of \$4,529.

At no time during the fiscal year did the Township's retirement plan investment portfolio use derivative instruments or products.

RISK FINANCING:

The Township is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by insurance purchased from independent third parties. Settled claims from these risks have not exceeded insurance coverage.

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
ELBA TOWNSHIP - LAPEER COUNTY, MICHIGAN
For the Year Ended June 30, 2006

	<u>BUDGETED AMOUNTS</u>			<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>FAVORABLE</u>
	<u>BUDGET</u>	<u>BUDGET</u>		<u>(UNFAVORABLE)</u>
<u>REVENUES</u>				
Taxes	\$ 333,000	\$ 333,000	\$ 388,441	\$ 55,441
State Shared Revenue	387,000	387,000	375,032	(11,968)
Charges for Services	5,500	5,500	22,611	17,111
Interest Earnings	6,000	6,000	21,992	15,992
Rentals	6,000	6,000	4,800	(1,200)
Other Local Revenues	7,600	7,600	11,298	3,698
Total Revenues	<u>\$ 745,100</u>	<u>\$ 745,100</u>	<u>\$ 824,174</u>	<u>\$ 79,074</u>
<u>EXPENDITURES</u>				
Current:				
General Government:				
Township Board	\$ 17,850	\$ 17,850	\$ 13,319	\$ 4,531
Supervisor	30,470	30,470	30,449	21
Elections	22,700	22,700	6,311	16,389
Assessor	41,900	41,900	37,867	4,033
Clerk	77,392	77,392	62,798	14,594
Cemetery	12,550	12,550	12,413	137
Board of Review	8,300	8,300	4,863	3,437
Treasurer	74,256	74,256	65,285	8,971
Legal Audit and Engineering Fees	43,200	43,200	36,933	6,267
Township Hall	105,484	105,484	80,437	25,047
Other General Government	1,400	1,400	162	1,238
Total General Government	<u>\$ 435,502</u>	<u>\$ 435,502</u>	<u>\$ 350,837</u>	<u>\$ 84,665</u>
Public Safety	\$ 180,350	\$ 180,350	\$ 130,002	\$ 50,348
Public Works	200,000	200,000	64,785	135,215
Culture and Recreation	5,000	5,000	-0-	5,000
Insurance	42,000	42,000	32,319	9,681
Other Activities	33,100	33,100	21,461	11,639
Capital Outlay	15,000	15,000	13,015	1,985
Total Expenditures	<u>\$ 910,952</u>	<u>\$ 910,952</u>	<u>\$ 612,419</u>	<u>\$ 298,533</u>
Excess Revenues Over (Under) Expenditures	<u>\$ (165,852)</u>	<u>\$ (165,852)</u>	<u>\$ 211,755</u>	<u>\$ 377,607</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In	\$ -0-	\$ -0-	\$ 13,015	\$ 13,015
Transfers Out	(15,000)	(15,000)	(15,000)	-0-
Total Other Financing Sources	<u>\$ (15,000)</u>	<u>\$ (15,000)</u>	<u>(1,985)</u>	<u>13,015</u>
Net Change in Fund Balance	<u>\$ (180,852)</u>	<u>\$ (180,852)</u>	<u>\$ 209,770</u>	<u>\$ 390,622</u>
<u>FUND BALANCE</u> - July 1, 2005	<u>774,616</u>	<u>774,616</u>	<u>774,616</u>	<u>-0-</u>
<u>FUND BALANCE</u> - June 30, 2006	<u>\$ 593,764</u>	<u>\$ 593,764</u>	<u>\$ 984,386</u>	<u>\$ 390,622</u>

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - FIRE FUND
ELBA TOWNSHIP - LAPEER COUNTY, MICHIGAN
For the Year Ended June 30, 2006

	<u>BUDGETED AMOUNTS</u>			VARIANCE
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>FAVORABLE</u>
<u>REVENUES</u>	<u>BUDGET</u>	<u>BUDGET</u>		<u>(UNFAVORABLE)</u>
Taxes	\$ 269,000	\$ 269,000	\$ 311,664	\$ 42,664
Interest Earnings	6,000	6,000	12,681	6,681
Capital Grants	34,000	34,000		(34,000)
Sale of Assets			101	101
Total Revenues	<u>\$ 309,000</u>	<u>\$ 309,000</u>	<u>\$ 324,446</u>	<u>\$ 15,446</u>
<u>EXPENDITURES</u>				
Current:				
Wages and Related Expenses	\$ 91,100	\$ 91,100	\$ 81,952	\$ 9,148
Insurance and Retirement	24,500	24,500	19,281	5,219
Supplies	54,200	54,200	40,854	13,346
Repairs and Maintenance	29,600	29,600	9,371	20,229
Public Education	6,500	6,500	5,545	955
Utilities and Telephone	11,300	11,300	10,270	1,030
Education and Training	9,000	9,000	5,576	3,424
Miscellaneous	11,750	11,750	4,536	7,214
Capital Outlay:	<u>450,575</u>	<u>450,575</u>	<u>433,793</u>	<u>16,782</u>
Total Expenditures	<u>\$ 688,525</u>	<u>\$ 688,525</u>	<u>\$ 611,178</u>	<u>\$ 77,347</u>
Excess Revenues Over (Under) Expenditures	<u>\$ (379,525)</u>	<u>\$(379,525)</u>	<u>\$(286,732)</u>	<u>\$ 92,793</u>
<u>FUND BALANCE</u> - July 1, 2005	<u>595,434</u>	<u>595,434</u>	<u>595,434</u>	<u>-0-</u>
<u>FUND BALANCE</u> - June 30, 2006	<u>\$ 215,909</u>	<u>\$ 215,909</u>	<u>\$ 308,702</u>	<u>\$ 92,793</u>

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - LAKE NEPESSING WEED CONTROL
ELBA TOWNSHIP - LAPEER COUNTY, MICHIGAN
For the Year Ended June 30, 2006

	<u>BUDGETED AMOUNTS</u>			<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>FAVORABLE</u>
<u>REVENUES</u>	<u>BUDGET</u>	<u>BUDGET</u>		<u>(UNFAVORABLE)</u>
Assessments	\$ 23,000	\$ 23,000	\$ 21,656	\$ (1,344)
Interest Income			78	78
Total Revenue	<u>\$ 23,000</u>	<u>\$ 23,000</u>	<u>\$ 21,734</u>	<u>\$ (1,266)</u>
<u>EXPENDITURES</u>				
Public Works	<u>23,000</u>	<u>23,000</u>	<u>21,408</u>	<u>1,592</u>
Excess Revenues Over (Under) Expenditures	\$ -0-	\$ -0-	\$ 326	\$ 326
<u>FUND BALANCE</u> - July 1, 2005	<u>1,261</u>	<u>1,261</u>	<u>1,261</u>	<u>-0-</u>
<u>FUND BALANCE</u> - June 30, 2006	<u>\$ 1,261</u>	<u>\$ 1,261</u>	<u>\$ 1,587</u>	<u>\$ 326</u>

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - LIQUOR CONTROL FUND
ELBA TOWNSHIP - LAPEER COUNTY, MICHIGAN
For the Year Ended June 30, 2006**

	<u>BUDGETED AMOUNTS</u>			<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>FAVORABLE</u>
<u>REVENUES</u>	<u>BUDGET</u>	<u>BUDGET</u>		<u>(UNFAVORABLE)</u>
State Shared Revenue	\$ 4,000	\$ 4,000	\$ 3,329	\$ (671)
<u>EXPENDITURES</u>				
Liquor Law Enforcement	<u>4,000</u>	<u>4,000</u>	<u>3,329</u>	<u>(671)</u>
Excess Revenues Over (Under) Expenditures	\$ -0-	\$ -0-	\$ -0-	\$ -0-
<u>FUND BALANCE</u> - July 1, 2005	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>FUND BALANCE</u> - June 30, 2006	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - CAPITAL IMPROVEMENT FUND
ELBA TOWNSHIP - LAPEER COUNTY, MICHIGAN
For the Year Ended June 30, 2006**

	<u>BUDGETED AMOUNTS</u>			<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>FAVORABLE</u>
	<u>BUDGET</u>	<u>BUDGET</u>		<u>(UNFAVORABLE)</u>
<u>REVENUES</u>				
Interest Earnings	\$ 3,000	\$ 3,000	\$ 3,559	\$ 559
<u>EXPENDITURES</u>				
Total Expenditures	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Excess Revenues Over (Under) Expenditures	<u>\$ 3,000</u>	<u>\$ 3,000</u>	<u>\$ 3,559</u>	<u>\$ 559</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In	\$ 15,000	\$ 15,000	\$ 15,000	\$ -0-
Transfers Out	<u>(13,500)</u>	<u>(13,500)</u>	<u>(13,015)</u>	<u>485</u>
Total Other Financing Sources	<u>\$ 1,500</u>	<u>\$ 1,500</u>	<u>\$ 1,985</u>	<u>\$ 485</u>
Net Change in Fund Balance	<u>\$ 4,500</u>	<u>\$ 4,500</u>	<u>\$ 5,544</u>	<u>\$ 1,044</u>
<u>FUND BALANCE - July 1, 2005</u>	<u>101,479</u>	<u>101,479</u>	<u>101,479</u>	<u>-0-</u>
<u>FUND BALANCE - June 30, 2006</u>	<u>\$ 105,979</u>	<u>\$ 105,979</u>	<u>\$ 107,023</u>	<u>\$ 1,044</u>

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - DISASTER FUND
ELBA TOWNSHIP - LAPEER COUNTY, MICHIGAN
For the Year Ended June 30, 2006

	<u>BUDGETED AMOUNTS</u>			<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>FAVORABLE</u>
	<u>BUDGET</u>	<u>BUDGET</u>		<u>(UNFAVORABLE)</u>
<u>REVENUES</u>				
Interest Earnings	\$ -0-	\$ -0-	\$ 5	\$ 5
<u>EXPENDITURES</u>				
Total Expenditures	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Excess Revenues Over (Under) Expenditures	\$ -0-	\$ -0-	\$ 5	\$ 5
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers Out	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Excess Revenues and Other Sources Over (Under) Expenditures and Other (Uses)	\$ -0-	\$ -0-	\$ 5	\$ 5
<u>FUND BALANCE</u> - July 1, 2005	<u>1,004</u>	<u>1,004</u>	<u>1,004</u>	<u>-0-</u>
<u>FUND BALANCE</u> - June 30, 2006	<u>\$ 1,004</u>	<u>\$ 1,004</u>	<u>\$ 1,009</u>	<u>\$ 5</u>

COMBINING BALANCE SHEET - NON - MAJOR GOVERNMENTAL FUNDS
ELBA TOWNSHIP - LAPEER COUNTY, MICHIGAN
June 30, 2006

	LAKE NEPESSING WEED CONTROL	CAPITAL PROJECTS FUND	LIQUOR LICENSE FUND	DISASTER FUND	TOTAL
<u>ASSETS</u>					
Cash and Cash Equivalents	\$ 1,587	\$ 107,023	\$ -0-	\$ 1,009	\$ 109,619
Total Assets	<u>\$ 1,587</u>	<u>\$ 107,023</u>	<u>\$ -0-</u>	<u>\$ 1,009</u>	<u>\$ 109,619</u>
<u>LIABILITIES</u>					
Due to Other Funds	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Total Liabilities	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
<u>FUND EQUITY</u>					
Fund Balance					
Unreserved	\$ 1,587	\$ 107,023	\$ -0-	\$ 1,009	\$ 109,619
Total Liabilities and Fund Equity	<u>\$ 1,587</u>	<u>\$ 107,023</u>	<u>\$ -0-</u>	<u>\$ 1,009</u>	<u>\$ 109,619</u>

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

NON - MAJOR GOVERNMENTAL FUNDS

ELBA TOWNSHIP - LAPEER COUNTY, MICHIGAN

For the Year Ended June 30, 2006

	<u>LAKE NEPESSING WEED CONTROL</u>	<u>CAPITAL PROJECTS FUND</u>	<u>LIQUOR LICENSE FUND</u>	<u>DISASTER FUND</u>	<u>TOTAL</u>
<u>REVENUES</u>					
Assessments	\$ 21,656	\$ -0-	\$ -0-	\$ -0-	\$ 21,656
State Shared Revenue			3,329		3,329
Interest Earnings	<u>78</u>	<u>3,559</u>	<u></u>	<u>5</u>	<u>3,642</u>
Total Revenues	<u>\$ 21,734</u>	<u>\$ 3,559</u>	<u>\$ 3,329</u>	<u>\$ 5</u>	<u>\$ 28,627</u>
<u>EXPENDITURES</u>					
Public Safety	\$ -0-	\$ -0-	\$ 3,329	\$ -0-	\$ 3,329
Public Works	<u>21,408</u>	<u></u>	<u></u>	<u></u>	<u>21,408</u>
Total Expenditures	<u>\$ 21,408</u>	<u>\$ -0-</u>	<u>\$ 3,329</u>	<u>\$ -0-</u>	<u>\$ 24,737</u>
Excess Revenues Over (Under) Expenditures	<u>\$ 326</u>	<u>\$ 3,559</u>	<u>\$ -0-</u>	<u>\$ 5</u>	<u>\$ 3,890</u>
<u>OTHER FINANCING SOURCES (USES)</u>					
Transfers In	\$ -0-	\$ 15,000	\$ -0-	\$ -0-	\$ 15,000
Transfers Out	<u></u>	<u>(13,015)</u>	<u></u>	<u></u>	<u>(13,015)</u>
Total Other Financing Sources	<u>-0-</u>	<u>1,985</u>	<u>-0-</u>	<u>-0-</u>	<u>1,985</u>
Net Change in Fund Balance	<u>\$ 326</u>	<u>\$ 5,544</u>	<u>\$ -0-</u>	<u>\$ 5</u>	<u>\$ 5,875</u>
FUND BALANCE - July 1, 2005	<u>1,261</u>	<u>101,479</u>	<u>-0-</u>	<u>1,004</u>	<u>103,744</u>
FUND BALANCE - June 30, 2006	<u>\$ 1,587</u>	<u>\$ 107,023</u>	<u>\$ -0-</u>	<u>\$ 1,009</u>	<u>\$ 109,619</u>